

**ALABAMA PREPAID AFFORDABLE COLLEGE TUITION
PROGRAM
(PACT)**

Management and Investment Structure

All proceeds from purchases of PACT contracts are deposited in the PACT Trust Fund, which was created by the 1989 legislation that established the PACT program. The Trust Fund has no other source of income except earnings on investments. These earnings are exempt from taxes because of the program's affiliation with the State of Alabama. This tax exemption is fundamental to the growth necessary to fund the liabilities of the contracts.

PACT is a division of the State Treasurer's Office and the statute designates the State Treasurer as Chairman of the Board of Directors, which has authority over the management of the Trust Fund.

Other Board members represent the higher education community and private citizens from the business community. All members have a strong commitment to the success of the program and provide their services free of charge even though some travel distances across the state to participate in the management of the program.

In the spring of each year, the Board meets with its actuary and consultant to review the previous year's performance, the actuarial projections for the future, and their advice regarding investment market indications. After considering this information, the Board adopts the asset allocation deemed appropriate. The 2003 asset allocation was 70% in domestic equities and 30% in domestic fixed income.

Managers for portfolios in these asset classes are selected from proposals considered by the Board with the assistance and counsel of the consultant. During the contract period, each manager is monitored by the consultant and the Board stays informed regarding their performance.

The Trust Fund valuation as performed by the actuary confirms the status of the Fund. All income accrues to the Trust Fund growth except those expenses incurred in the management of the Fund. The Actuarial Report is available for review.